

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 CIAE-00

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FM AMEMBASSY AMMAN

TO SECSTATE WASHDC 5673

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C O N F I D E N T I A L AMMAN 3168

E.O.11652: GDS

TAGS: MASS, JO, SA, US

SUBJECT: SAG PAYMENTS FOR JORDANIAN FMS CREDIT LOANS

REF: A. JIDDA 1167 ?. AMMAN 1351 :. AMMAN 2389

1. DURING DISCUSSIONS WITH DATT ON 29 MAR 78, MG ABD AL-HADI MAJALI, ASST CHIEF OF STAFF FOR OPNS, JORDAN ARMED FORCES, SAID HE HAD RECEIVED A REPLY TO HIS CABLE TO THE JORDANIAN AMBASSADOR IN SAUDI ARABIA, ASKING LATTER TO OBTAIN CLARIFICATION ON SAUDI GRANTS TO COVER JORDANIAN FMS CREDITS. MAJALI SUMMARIZED THE REPLY FROM THE JORDANIAN AMBASSADOR AS FOLLOWS:

AMBASSADOR HAD DISCUSSED THE SAUDI GRANTS WITH ABD AL-AZIZ AL KHURAYDHI, HEAD OF SAMA. KHURAYSHI SAID THAT THERE WAS NO RELATIONSHIP BETWEEN THE SAUDI PROMISES TO PAY ON THE 1975 FMS CREDITS AND THE AGREEMENT TO PROVIDE JORDAN WITH \$150M FOR OTHER MILITARY CREDITS. SAMA WOULD CONTINUE TO MAKE PAYMENTS ON THE 1975 FMS CREDITS, IN ADDITION TO THE SCHEDULE OF PAYMENTS ON THE \$150M SCHEDULE. AL-KHURAYSHI SAID FURTHER THAT THE MATTER OF THESE PAYMENTS WAS BETWEEN JORDAN AND SAUDI ARABIA, AND DID NOT CONCERN THE U.S.

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2. IF THE FOREGOING IS CORRECT, WE HAVE ASSURANCES FROM SAG AS TO THE SPECIFIC INTENT OF THE \$150M GRANT ALTHOUGH NOT IN AS EXPLICIT A MANNER AS WE WOULD LIKE. SAUDI REAL INTENT REGARDING FY75 FMS PAYMENTS AND THE \$150M GRANT WILL NOT BECOME CLEAR UNTIL MAY-JUNE 1978, SINCE NEXT PAYMENT ON THE \$150M AGREEMENT IS DUE 31 MAY AND THE FY 75 CREDIT PAYMENT IS DUE JUNE 30. IF AT THAT TIME SAUDI MAKES PAYMENT ON FY 75 FMS

CREDITS AS WELL AS PROVIDING MONEY PROGRAMMED FOR DISBURSEMENT ACCORDING TO THE SCHEDULE FOR THE \$150M, THEN BELIEVE WE CAN SAFELY ASSUME THAT THE TWO ARE BEING HANDLED AS SEPARATE FINANCIAL TRANSACTIONS AND THAT THE \$150M IS INDEED INTENDED TO COVER FY76 AND 77 FMS CREDIT OBLIGATIONS AS JORDAN AND REPORTEDLY SAMA CONTENDS. MAJALI CONCURS THAT THIS IS PROBABLY THE BEST APPROACH FOR THE TIME BEING.

3. UNTIL WE OBTAIN THIS CLARIFICATION, CAUTION DICTATES THAT WE PROCEED ON THE ASSUMPTION THAT THE \$150M MUST COVER ALL PREVIOUS FMS CREDIT PAYMENTS ON PRINCIPAL WHICH SAG HAD GUARANTEED, INCLUDING FY 75 FMS CREDIT. WITH THIS AS A BASIS, OUR COMPUTATIONS SHOW THAT \$26,470,600.00 IN PRINCIPAL IS STILL DUE ON FY75 FMS CREDITS, AND \$73,333,400. IS DUE ON FY76 FMS CREDITS. SAUDI ALSO PAID \$9,000,000 IN FEB 78 AS ITS FIRST PAYMENT OF THE \$150M GRANT AND THIS WAS APPLIED ON THE FY 76 FMS CREDITS. SUBTRACTING THESE PAYMENTS OF PRINCIPAL FROM THE \$150M LEAVES \$41,196,000.00 STILL UNOBLIGATED. IN VIEW OF THE FOREGOING, EMBASSY BELIEVES THAT IT IS NOW POSSIBLE TO RELEASE FOR EXPENDITURE/OBLIGATION UP TO \$41 MILLION FROM THE FMS CREDIT AUTHORIZED FOR JORDAN FOR FY77, WHICH WE UNDERSTAND IS THE ONLY FMS CREDIT FISCAL YEAR FOR JORDAN FROM WHICH DOD IS CURRENTLY NOT DISBURSING.

4. AMBASSADOR DISCUSSED RELEASE OF FY 77 FMS CREDIT FUNDS WITH JORDAN ARMED FORCES COMMANDER IN CHIEF, LTG BEN SHASLFM LATTER
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CONCURS AND ASKS THAT OBLIGATION AUTHORITY BE GIVEN FOR FY 77 CREDIT FUNDS FOR EVERYTHING BUT THE COBRA HELICOPTERS AND ASSOCIATED EQUIPMENT AS THIS WILL MORE OR LESS APPROXIMATE THE REQUIRED AMOUNT TO BE HELD BACK UNTIL JUNE FOY CONTINGENCY COVERAGE OF THE FY 75 DEBT AS SUGGESTED ABOVE.

5. ACTION REQUESTED: THAT DEPARTMENT TAKE STEPS TO OBTAIN RELEASE FOR EXPENDITURE/OBLIGATION OF UP TO \$41 MILLION FROM THE FMS CREDIT AUTHORIZED FOR JORDAN FOR FY 77 AND RELEASE LOA'S FOR ALL ITEMS EXCEPT THE COBRA HELICOPTER.
PICKERING

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